

Gorbachev's Other Crisis

By Marshall I. Goldman

If Mikhail Gorbachev's perestroika had succeeded, the strong secessionist forces unleashed in the Soviet Union by glasnost might have been tempered. Unfortunately, so far, perestroika has failed.

Instead of acting as a unifying force, perestroika is heightening and even generating pressure for disintegration. Economic as well as political Balkanization is beginning, not only in the Baltic states but all over the country, including within the Russian republic itself.

The Soviet economy was never tightly integrated. Unable to rely on outside suppliers for crucial parts and materials, Soviet enterprises and regions have tended to be more self-sufficient than companies and nations in the capitalist world.

Nevertheless, Soviet factories cannot be completely self-sufficient. There continues to be a relative de-

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A weak ruble is fracturing the economy.

gree of interdependence that would be jeopardized if one region refused to sell to another. Now, with the ruble plummeting, that is precisely what is happening.

The falling ruble is the direct result of huge Soviet budget deficits — 10 percent to 12 percent of gross national product. To pay its bills, the Kremlin is printing more money, which is debasing the currency.

With too many rubles chasing too few goods, wealthier areas of the Soviet Union find themselves besieged by shoppers from less fortunate regions.

As a result, in 1989 the authorities in the Baltic republics began to ban the sale of most food products, as well as that of a wide assortment of consumer goods, to outsiders.

In turn, because Leningraders were dependent on the Baltic region for food supplies, the authorities there found it necessary to protect themselves from shoppers in the even more deprived areas. By mid-January 1990, the order came down that only legal residents could buy food in a Leningrad shop. Offended by what they properly considered unfair-trade practices, officials in nearby Novgorod imposed a similar embargo on shoppers from Leningrad.

As the shortage of consumer goods increases, more regions are moving to protect not only their consumer goods but their access to all manufactured products. Even Moscow, the best-provisioned city, has approved restraints on outsiders.

Residents of the suburban towns of Solnechnogorsk and Kineshma complain that Moscow suppliers refuse to sell them building materials. Much the same thing happened in Kazakhstan and Uzbekistan, when they imposed bans on "exports" to other Soviet republics. Similarly, Azerbaijan strictly limits what it sells and allows to be shipped to Armenia.

The motivation for such restrictions varies, with the most common being to protect local residents. In the case of Azerbaijan, the driving force is ethnic revenge against the Armenians. In Kazakhstan and Uzbekistan, the aim is to increase the powers of the regional authorities at the expense of central planners in Moscow.

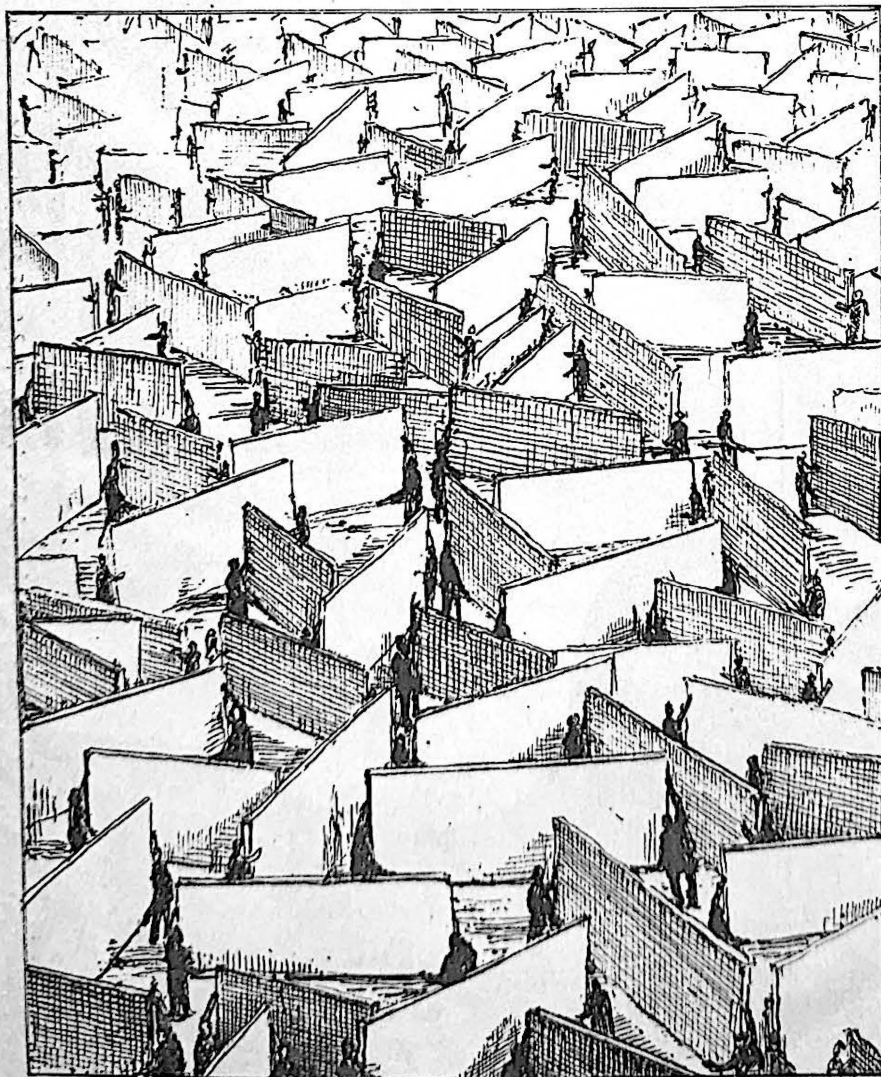
Unfortunately, what may make sense locally is irrational nationally. Moreover, some local officials have gone beyond the imposition of embargos. Lithuania and Estonia, for example, in order to protect themselves from the continuing collapse of the ruble, have toyed with the idea of introducing their own currencies next year. And the three Baltic republics plan to start a common market.

Such actions amount to economic secession. In response, Moscow banking officials have restricted the use of funds that Lithuania has on deposit.

Whatever the outcome of the current political crisis in Lithuania, economic disintegration will continue unless Mr. Gorbachev can halt the decline in the ruble and increase supplies, particularly consumer goods. To do that, he will have to introduce far-reaching changes.

That was one of the justifications he gave for creating the new post of President and vesting it with extraordinary powers. And he is said to be readying new reforms for this summer. But his efforts have to date been so contradictory and faltering that he has lost credibility as an economic leader.

To introduce a new round of reforms and, more importantly, to make them work at a time of increasing economic autarky seems all but impossible. □



Janusz Kapusta